LIBERTY
1794

Man Is a Trader. The history of trade goes back thousands of years. Over those years, trade—like almost everything else connected with man—has become increasingly complex.

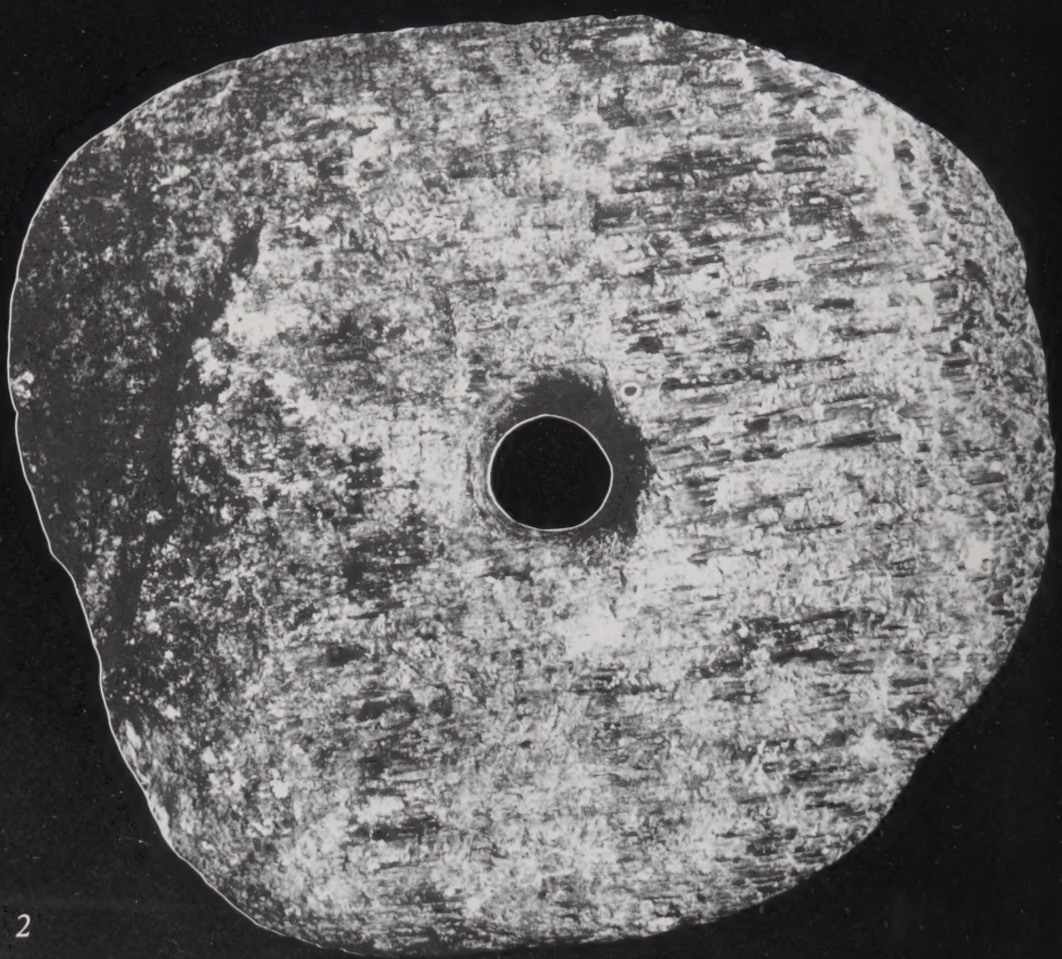
Money Functions to Simplify Trade. Contrast these trading activities:

A stone axe head is exchanged for a basket made of woven rushes. Each trader keeps the item received for his own use;

A merchant of Biblical times sails the Mediterranean with a cargo of wine to trade at a distant port for precious stones, then trades the precious stones to the jewelry makers of his homeland in exchange for small bars of gold and silver, some of which will be traded for his next cargo of wine;

A modern corporation, assisted by a financial underwriter, sells common stock, thereby transferring to each purchaser a claim on a fraction of that corporation's assets. The purchasers pay for their stock by writing checks that transfer to the corporation claims on specified amounts of demand

Very primitive, yet used relatively recently in the Pacific Island of Yap, is this heavy stone disk. Such disks range from the size of a saucer to ten feet or more in diameter. This one, about a foot across, may be about 200 years old. This form of money was used by Yap Islanders until World War II.



deposits ("checkbook money") in banks.

Money Has Had to Change. Primitive forms of money would not be well suited to today's complex trading activity. It would not be practical to drive a hundred truckloads of potatoes to the New York Stock Exchange to pay for a thousand shares of stock.

How Has Money Changed? The general trend of money's evolution over the centuries has been—

From tangible forms exchangeable only hand-to-hand to intangible forms exchangeable only by means of messages to pay, such as checks.

From forms with "Value in Use," such as tools, weapons, food, and so on, always tangible, to forms with "Value in Exchange," such as deposits in a bank, or a $5 bill, that have little or no "value in use" but can be transferred in huge dollar amounts very quickly, easily, and safely to simplify transactions between distant points as well as near ones. These modern forms are usually, but not always, intangible.

This gold bar, weighing about 27 pounds, illustrates "Commodity Money," an early stage in money's evolution. Although it is a primitive form of money, gold still has a limited monetary function today. In recent years, however, its monetary function has declined in importance. At the 1974 official U.S. gold price of $42.222 per troy ounce this bar is worth $16,693.43.

As these evolutionary changes have taken place, money's ability to simplify trade has improved.

Where Does Money Get its Value? We have already made the point that primitive forms of money have "value in use." That is, these primitive forms of money can be used, not only as money, but also as tools, weapons, food, or decoration, or as raw material to make clothing or shelter, or for some other useful purpose. This "value in use" provides a psychological basis for confidence in primitive money—after all, if you can't spend it, you can use it in some other way—but its necessarily tangible form interferes with its exchangeability; it can be transferred only hand to hand. And the important thing for money to do is to function as money; it is more important that it spend well than that it double as food or clothing or jewelry.

Modern forms of money, in contrast to primitive forms, have only "value in exchange" and are useful only as money. As money, however, they

Many numismatists consider this "Victory Decadrachm of Syracuse" to be history's most beautiful coin. It was produced 406-400 B.C. by the city-state of Syracuse to

simplify trade much more effectively than do such primitive forms as cattle, cowrie shells, or bits of gold or silver.

Money gets its value because it performs a function—simplifying trade—just as a lawn mower gets its value because it performs a function—cutting grass.

1. The Evolution of Money

The first section of the Monetary Museum tells the story of the evolution of forms of money as a medium of exchange. The major forms of money in this evolution were — Barter, Commodity Money, Coin, Paper Money, and Deposit Money.

Each form offered new advantages, enabling money to do a better job of simplifying trade. But each also had its problems that have caused men to continue the effort to improve money's ability to simplify trade.

celebrate its victory over the invading Athenians. The reverse or "tails" side depicts a "Quadriga" or four-horse team.

At present, the largest part of our money supply consists of deposit money—deposits in checking accounts at the nation's banks—and these are transferred by check in most cases. While checks offer many important advantages and have helped make possible a tremendous expansion in economic activity, we have in recent years become increasingly aware of their disadvantages—

A check may have to pass through many hands before it has lived out its useful life; It may go from the purchaser who pays by check—to the seller who receives the check—to the seller's commercial bank—to the Federal Reserve Bank that serves the seller's commercial bank—to the Federal Reserve Bank that serves the check writer's commercial bank—to the check writer's commercial bank—and finally back to the check writer.

All of this requires a certain amount of time — at least a day, and often more.

Each bank handling the check has to devote some time to processing it, resulting in a "snowstorm" of paperwork.

The act of Congress establishing the U.S. Mint was passed in 1792, and it did not begin operations until the latter part of that year. It did, however, manage to produce

Checks may be forged, or improperly endorsed, or written on an account that has insufficient funds.

For all these reasons, monetary evolution is now centered on the media used to transfer deposit money. Increasingly, the transfer of today's intangible deposit money is accomplished by means of an electronic signal from one computer to another.

In the not-too-distant future, we may use a "cash card" similar in appearance to a "credit card." Such a "cash card," used in conjunction with a computerized switching center having remote terminals at stores, could instantly transfer deposit money from the buyer's account to the seller's, requiring no check, no paper work, and no delay.

Function, Not Form, Is the Important Thing. The many forms of money displayed in the Monetary Museum, ranging from a whale's tooth and a fish-hook to numbers posted on a bank's ledger that represent deposit money, all underline the fact that money is defined by function, not form. It can be any-

a few coins in 1792, including this silver "half-disme" or half-dime. The metal for the 1792 half-dismes is said to have come from silverware donated by George Washington.

thing, tangible or intangible, that people agree to use for the purpose of simplifying trade.

2. Money in America

The second section of the Monetary Museum traces the highlights of the history of money and banking from the early days of England's colonies in the New World to the present. These highlights include—

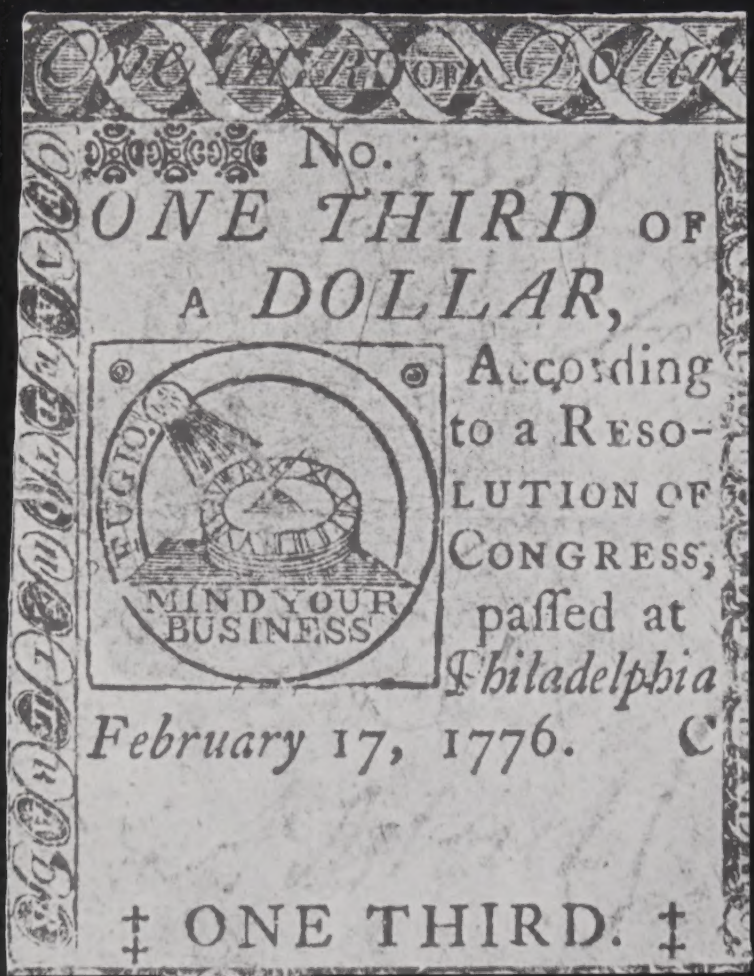
The use of barter, commodity money, foreign coin, private tokens, unauthorized coinage, and paper money in the colonies—

An early inflation resulting from overissuance of Continental Currency during the Revolution, giving rise to the familiar expression, "Not worth a Continental!"—

The development of a private, commercial banking system, and early attempts to establish a central banking system—

The development of U.S. coinage and establishment of the Mint—

To help finance the Revolution, the Continental Congress issued Continental Currency. At first, these notes held their purchasing power quite well. Later, however, over-issuance lowered their value and eventually it fell so low as to give birth to the still-familiar expression, "Not Worth a Continental!"



The colorful era of state bank notes and the lessons learned from it—

The changes in money and banking brought about by The Civil War, including the birth of Confederate money and Federal "greenbacks" and "legal tenders," the establishment of the National Banks, the increased use of deposit money by state-chartered banks when their bank note issues were heavily taxed, and the use of fractional paper money to serve as small change when coins were hoarded—

Progress and problems after the Civil War, the growth in the use of checks, and the disruptive, recurrent "money panics"—

The establishment of the Federal Reserve System, the Great Depression of the Thirties, bank suspensions and banking reforms, and the retreat from gold—

The role of the Federal Reserve System today, its services to banks and the U.S. Treasury, the problem of inflation, its cooperation with the Federal Government to attain desirable economic objectives.

Gold doubloons, coined at Spanish mints in several parts of Central and South America, were among the many kinds of foreign coins in circulation in colonial America.

3. Numismatic Section

The final section of the Monetary Museum presents some items rarely seen by even the most experienced collectors of coins and notes. Some of these items are:

A complete collection of all dates and denominations of gold coin produced at the Dahlonega Mint, in operation from 1838 to 1861—

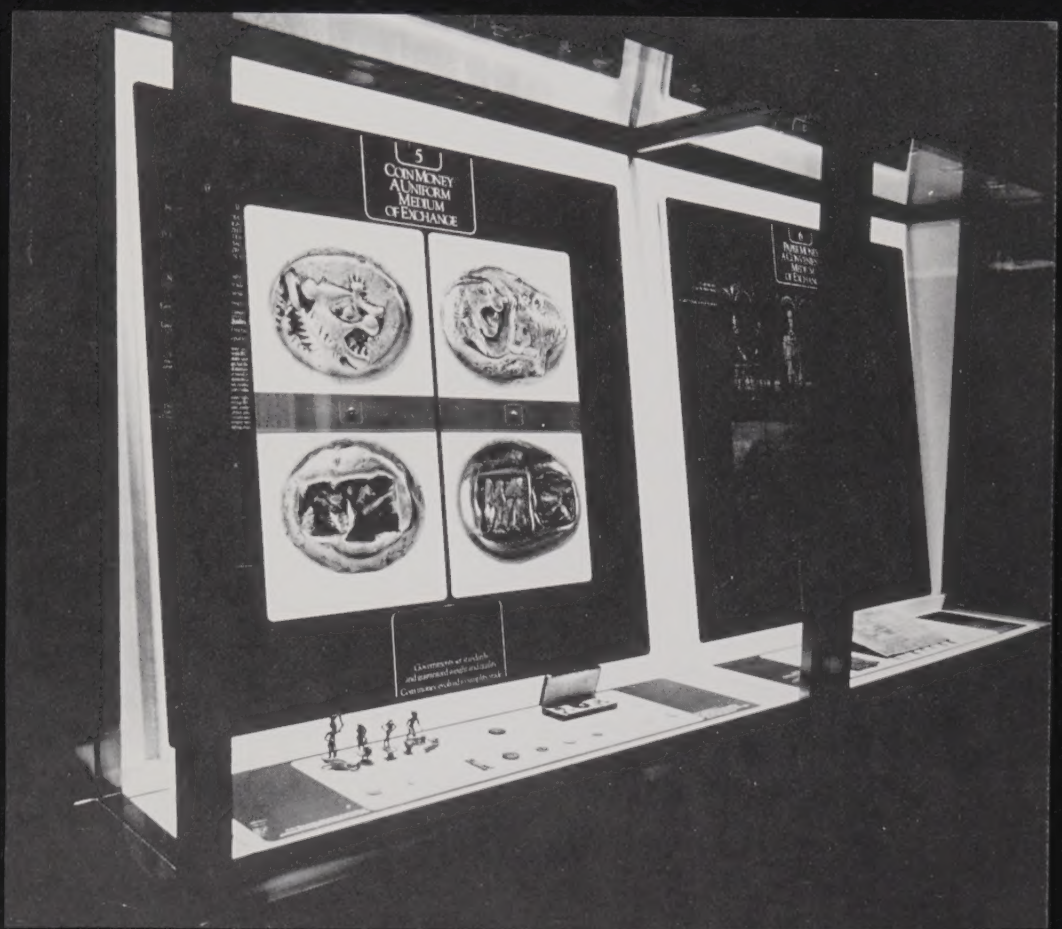
A complete collection of all types of the silver commemorative coins produced by the U.S. Mint—

The original plaster casts, copper electrotypes (or "galvanos"), master dies, and intermediate dies (or "hubs") used to produce the Stone Mountain Commemorative Half Dollar—

A collection of coins made of gold mined in Georgia and North Carolina and produced by the Bechtlers' private mint in North Carolina during the period 1830-1852.

Three of the most beautiful notes ever produced in the United States, the "Educational Series" notes of Series 1896—

Twenty-seven panels like those shown here carry the Museum's story of monetary evolution—illustrated by actual coins and notes from ancient and modern times.



Uncut sheets of $1, $500, $1,000, $5,000 and $10,000 specimen Federal Reserve Notes, with all-zero serial numbers—

An uncut sheet of twelve specimen $100,000 Gold Certificates, also with all-zero serial numbers—

Some of the earliest coins produced at the U.S. Mint, including the rare 1792 "half-disme" and 1794 silver dollar.

Please Make Reservations in Advance if you wish to visit the Monetary Museum. Call (404) 522-4061 or write to: Monetary Museum, Federal Reserve Bank of Atlanta, Atlanta, Georgia 30303.

Occasionally, it may be impossible for us to accommodate visitors at the time they request, so we suggest you choose several alternate dates acceptable to you. The Museum will not accommodate large groups, so we ask that groups be limited to 15 persons. Special permission for larger groups —with an absolute maximum of 30—may be granted if the request is received far enough in advance to enable us to make appropriate arrangements.

The panel in the center summarizes money's evolution from tangible forms, exchangeable only hand-to-hand, to intangible forms that can be quickly and safely transferred by messages, in large amounts.

This is the 1794 U.S. silver dollar, the Museum's most valuable single item. The Mint produced its first silver dollars in 1794. Less than a hundred are known to exist today, and only a few of these are in this "Mint condition".